

March 2, 1999

HOUSE BILL No. 2057

DIGEST OF HB 2057 (Updated February 25, 1999 11:50 am - DI 73)

Citations Affected: IC 4-4; IC 6-3.1; noncode.

Synopsis: School to career program tax credit. Establishes a certified school to career program. Provides a two-year credit against state tax liability for wages paid to a participant in a certified school to career program.

Effective: January 1, 1999 (retroactive); July 1, 1999.

**Hasler, Lutz J, Yount, Liggett,
McClain**

January 27, 1999, read first time and referred to Committee on Ways and Means.
March 1, 1999, amended, reported — Do Pass.

HB 2057—LS 7412/DI 92+



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March 2, 1999

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 2057

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-4-30 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 1999]:

4 **Chapter 30. Certified School to Career Programs**

5 **Sec. 1. As used in this chapter, "certified school to career**
6 **program" means a program approved by the department of**
7 **workforce development, in conjunction with the department of**
8 **education, that is conducted under an agreement under this**
9 **chapter and that:**

- 10 (1) integrates a secondary school curriculum with private
11 sector job training;
12 (2) places students in job internships; and
13 (3) is designed to continue into postsecondary education and
14 that will result in teaching new skills and adding value to the
15 wage earning potential of participants and increase their long
16 term employability in the state.

17 **Sec. 2. As used in this chapter, "participant" means an**

HB 2057—LS 7412/DI 92+



individual who is at least sixteen (16) years of age and less than twenty-four (24) years of age and who:

- (1) is enrolled in a public or private secondary or postsecondary school; and
- (2) participates in a certified school to career program as part of the individual's secondary school education.

Sec. 3. As used in this chapter, "sponsor" means a person, an association, a committee, or an organization operating a school to career program and in whose name the program is registered or approved.

Sec. 4. The department of workforce development, in conjunction with the department of education, may not approve a school to career program unless the following requirements are met:

- (1) The program must be conducted under an organized, written plan embodying the terms and conditions of employment, job training, classroom instruction, and supervision of one (1) or more participants, subscribed to by a sponsor who has undertaken to carry out the school to career program.
- (2) The program must comply with all state and federal laws pertaining to the workplace.
- (3) The program must involve an institution of higher learning as defined in IC 20-12-70-4.
- (4) The certified program agreement must provide that the employer agrees to assign an employee to serve as a mentor for a participant. The mentor's occupation must be in the same career pathway as the career interests of the participant.
- (5) The program must comply with any other requirement adopted by rule by the department of workforce development after consultation with the department of education.

Sec. 5. The certified program shall be conducted under a signed written agreement between each participant and the employer which contains at least the following provisions:

- (1) The names and signatures of the participant and the sponsor or employer and the signature of a parent or guardian if the participant is a minor.
- (2) A description of the career field in which the participant is to be trained, and the beginning date and duration of the training.
- (3) The employer's agreement to provide paid employment for



1 the participant, at a base wage, during the participant's junior
2 and senior years in high school and the participant's first year
3 of postsecondary education.

4 (4) The employer's agreement to assign an employee to serve
5 as a mentor for a participant. The mentor's occupation must
6 be in the same career pathway as the career interests of the
7 participant.

8 (5) The participant and employer shall agree upon set
9 minimum academic standards which must be maintained
10 through the participant's secondary and postsecondary
11 education.

12 (6) The base wage paid to the participant shall not be less than
13 the minimum wage prescribed by the federal Fair Labor
14 Standards Act.

15 (7) That, in addition to the base wage paid to the participant,
16 the employer shall pay an additional sum to be held in trust to
17 be applied toward the participant's postsecondary education
18 required for completion of the certified program. The
19 additional amount must not be less than an amount
20 determined by the department of workforce development to
21 be sufficient to provide payment of tuition expenses toward
22 completion of not more than two (2) academic years of the
23 required postsecondary education component of the certified
24 program at an Indiana institution of higher learning as
25 defined in IC 20-12-70-4. This amount shall be held in trust
26 for the benefit of the participant under rules adopted by the
27 department of workforce development. Payment into an
28 ERISA-approved fund for the benefit of the participant
29 satisfies this requirement. The specific fund shall be specified
30 in the agreement.

31 (8) The participant's agreement to work for the employer for
32 at least two (2) years following the completion of the
33 participant's postsecondary education required by the
34 certified program. However, the agreement may provide for
35 additional education and work commitments beyond the two
36 (2) years.

37 (9) If the participant does not complete the two (2) year
38 employment obligation, the participant's agreement to repay
39 to the employer the amount paid by the employer toward the
40 participant's postsecondary education expenses under
41 subdivision (6).

42 (10) That if a participant does not complete the certified



program contemplated by the agreement after entering a postsecondary education program, any unexpended funds being held in trust for the participant's postsecondary education shall be paid back to the employer. In addition, the participant must repay to the employer amounts paid from the trust which were expended on the participant's behalf for postsecondary education.

(11) That if a participant does not complete the certified program contemplated by the agreement before entering a postsecondary education program, one-half (1/2) of the money being held in trust for the participant's postsecondary education shall be paid to an institution of higher learning (as defined in IC 20-12-70-4) of the participant's choice to pay tuition or expenses of the participant. The other one-half (1/2) of the trust money shall be paid back to the employer. Any moneys to be transferred for the benefit of the participant which are not transferred within five (5) years for purposes of education at the designated postsecondary institution shall be paid back to the employer.

Sec. 6. The department of commerce, in consultation with the department of education, shall adopt rules under IC 4-22-2 to implement this chapter.

SECTION 2. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999 (RETROACTIVE)]:

Chapter 20. Certified School to Career Program Payroll Credit

Sec. 1. As used in this chapter, "certified school to career program" has the meaning set forth in IC 4-4-30-1.

Sec. 2. As used in this chapter, "participant" has the meaning set forth in IC 4-4-30-2.

Sec. 3. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 4. As used in this chapter, "payroll expenditures" means the base wages actually paid by an employer to a participant in a certified school to career program under IC 4-4-30, plus the amount held in trust to be applied toward the participant's postsecondary education.

Sec. 5. As used in this chapter, "state tax liability" means a



taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
- (3) IC 6-3-8 (supplemental net income tax);
- (4) IC 6-5-10 (bank tax);
- (5) IC 6-5-11 (savings and loan association tax);
- (6) IC 6-5.5 (financial institutions tax); and
- (7) IC 27-1-18-2 (insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 6. As used in this chapter, "taxpayer" means a person, corporation, or pass through entity that employs participants in a certified school to career program under IC 4-4-30.

Sec. 7. (a) A taxpayer is entitled to a credit against the taxpayer's state tax liability for a taxable year for the payroll expenditures by the taxpayer in the taxable year on the participant.

(b) Subject to the limitations under subsection (c) and section 11 of this chapter, the amount of the credit is equal to the taxpayer's payroll expenditures in the taxable year multiplied by twenty percent (20%).

(c) The credit is limited to the first four hundred (400) hours of payroll expenditures per participant for each calendar year the participant is in the certified school to career program, not to exceed three (3) years per participant.

Sec. 8. (a) If the amount determined under section 7(b) of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

(b) A taxpayer is entitled to a refund of any unused credit.

Sec. 9. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.



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1 **Sec. 10.** To receive the credit provided by this chapter, a
2 taxpayer must claim the credit on the taxpayer's state tax return
3 in the manner prescribed by the department. The taxpayer must
4 submit to the department proof of payment of the payroll
5 expenditures and all information that the department determines
6 is necessary for the calculation of the credit provided by this
7 chapter.

8 **Sec. 11. (a)** The amount of tax credits allowed under this chapter
9 may not exceed five hundred thousand dollars (\$500,000) in the
10 period beginning July 1, 1999, and ending June 30, 2001.

11 **(b)** The department shall record the time of filing of each
12 application for allowance of a credit under section 10 of this
13 chapter and shall approve the applications, if they otherwise
14 qualify for a tax credit under this chapter, in the chronological
15 order in which the applications are filed in the state fiscal year.

16 **(c)** When the total credits approved under this section equal the
17 maximum amount allowable in a state fiscal year, no application
18 filed later for that same fiscal year shall be approved. However, if
19 an applicant for whom a credit has been approved fails to file the
20 statement of proof of payment required under section 10 of this
21 chapter, an amount equal to the credit previously allowed or set
22 aside for the applicant may be allowed to any subsequent applicant
23 in the year. In addition, the department may, if the applicant so
24 requests, approve a credit application, in whole or in part, with
25 respect to the next succeeding state fiscal year.

26 **Sec. 12.** The credit provided by this chapter applies only to
27 taxable years beginning after December 31, 1998, and ending
28 before January 1, 2001.

29 **SECTION 3.** [EFFECTIVE JANUARY 1, 1999 (RETROACTIVE)]
30 **IC 6-3.1-20**, as added by this act, applies to taxable years beginning
31 after December 31, 1998 and ending before January 1, 2001.

